

VZCZCXRO7825  
RR RUEHAG RUEHAST RUEHCHI RUEHDA RUEHDF RUEHDT RUEHFL RUEHHM RUEHIK  
RUEHKW RUEHLA RUEHLN RUEHLZ RUEHNH RUEHNP RUEHPOD RUEHROV RUEHSK  
RUEHSR RUEHYG  
DE RUEHVK #0011 0412244  
ZNR UUUUU ZZH  
R 102244Z FEB 09  
FM AMCONSUL VLADIVOSTOK  
TO RUEHC/SECSTATE WASHDC 1076  
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE  
RUCNASE/ASEAN MEMBER COLLECTIVE  
RUEHVK/AMCONSUL VLADIVOSTOK 1175

UNCLAS VLADIVOSTOK 000011

SIPDIS

E.O. 12958: N/A

TAGS: [ECON](#) [RS](#)

SUBJECT: YAKUTSK LENDING INSTITUTION OFFERS SNAPSHOT OF CREDIT  
SITUATION

¶1. Summary. Though the effect of economic crisis has not hit Yakutia strongly yet, securing credit from financial institutions is becoming increasingly difficult for entrepreneurs and consumers there. Poloff visited a prosperous, privately-run credit association in Yakutsk that offers an accessible alternative to commercial banks and government-sponsored entrepreneurship assistance agencies and provides an interesting snapshot into the credit situation in Yakutsk.

#### Borrowers Looking for Alternatives

-----

¶2. During more financially stable times there were over 50 banks in Yakutia providing business and personal loans. Currently there are fewer lending institutions, and those remaining have drastically cut back on lending. Banks are increasing their interest rates, reducing the amount they are willing to lend, and increasing documentation requirements. The regional government offers some alternatives for local businesses in the form of the Entrepreneurship Support Foundation of Yakutia and the Entrepreneurship Ministry of Sakha Republic.

¶3. A smaller private-sector lender has also emerged, called the Aurora Consumers' Association for Mutual Financial Assistance. The organization continues to grant mostly small-scale loans, and serves as an indicator of the economic situation in the region. Poloff and FSN met with Kapitalina Alekseyeva, the founder and Director of Aurora.

¶4. A former director of the IREX program in Yakutsk, Alekseyeva has been running Aurora for eight years, the first three of which she did without a salary for herself. She claims that her organization now provides more loans than her Government-sponsored counterparts and many of the local banks. Currently Aurora has over 1,000 clients and a capitalization of 120 million Rubles.

#### Small Scale Loans Help Entrepreneurs

-----

¶5. According to Alekseyeva, local entrepreneurs are increasingly turning to Aurora to obtain funds, as regular banks are increasingly turning them down. The company offers relatively lower interest rates -- a 5 percent monthly interest rate compared to the 10 percent local banks charge business clients. To attract capital, the company offers a 25 percent annual interest rate on deposits from retirees and 20 percent to others. The local Sberbank offers only four percent. Aurora currently only issues loans for up to one year. Most loans are for around 100,000 Rubles, though repeat customers may obtain up to 600,000 Rubles. Shuttle traders usually apply for loans in the 30,000 to 300,000 Ruble range.

¶6. The small loans have proven invaluable for a local

transportation company which recently purchased its fourth bus with a loan through Aurora. Recently, Aurora has been conducting its popular "Winter Clothing" program, enabling locals to purchase reindeer boots -- the only footwear feasible for -40C weather -- which cost one month's salary for many workers. Due to the program, many Yakutians are able to purchase essential fur clothing and footwear.

17. Alekseyeva says that even now, defaults are very rare. She credits some of her success to her U.S.-based advisor who has introduced a type of credit-rating system of her clients -- still unusual in Russia -- to help evaluate a borrower's viability. When clients do find themselves suddenly facing economic troubles and unable to make repayments, Aurora accepts in-kind payments such as furniture or construction materials.

ARMBRUSTER